

Official Transcript of Proceedings

Before the

UNITED STATES POSTAL RATE COMMISSION

RECEIVED
SEP 12 4 23 PM '00
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20541

In the Matter of:

POSTAL RATE AND FEE CHANGE

Docket No.

R2000-1

VOLUME 48

DATE: Monday, September 11, 2000

PLACE: Washington, D.C.

PAGES: 22445 - 22488

ANN RILEY & ASSOCIATES, LTD.

1025 Connecticut Avenue, N.W., Suite 1010

Washington, D.C. 20036

(202) 462-9034

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION

Party

Designated Items

United Parcel Service

Institutional

Postal Rate Commission

Response of UPS to Request of Presiding Officer
During Hearings (Tr. 45/19623)

United States Postal Service

Institutional

Association for Postal Commerce

PostCom/USPS-9-10
RIAA/USPS-1

Postal Rate Commission

Notice of Filing of Replacement Disk for USPS-LR-I-486
Notice of Filing USPS-LR-I-478, I-480 and I-482
Notice of Filing USPS-LR-I-490
Notice of Filing USPS-LR-I-491
Notice of Filing USPS-LR-I-492
Notice of Filing USPS-LR-I-493
Response of USPS to Request of the Presiding
Officer (Tr. 45/20062)

Chris F. Campbell (USPS-RT-23)

United States Postal Service

Statement by Chris F. Campbell on behalf of the
United States Postal Service

PartyDesignated Items**Michael W. Miller (USPS-RT-15)**

Office of the Consumer Advocate

Response of Witness Miller to Question Posed by
OCA During Hearings (Tr. 45/19815) Revised
9/5/2000**Bradley V. Pafford (USPS-T-4)**

Postal Rate Commission

UPS/USPS-44, 47 redirected to T4

Richard L. Patelunas (USPS-ST-44)

Association for Postal Commerce

PostCom/USPS-ST44-2

Richard J. Strasser (USPS-RT-1)

Office of the Consumer Advocate

Letter from Richard Strasser, Jr. to Chairman
Gleiman dated September 1, 2000**Thomas E. Thress (USPS-ST-46)**

Association for Postal Commerce

RIAA/USPS-ST46-1-5

Respectfully submitted,

Cyril J. Pittack
Acting Secretary

RESPONSES DESIGNATED
AS WRITTEN CROSS-EXAMINATION

<u>Designated Items</u>	<u>Designating Parties</u>
<u>United Parcel Service</u>	
Institutional	
Response of UPS to Request of Presiding Officer During Hearings (Tr. 45/19623)	PRC
<u>United States Postal Service</u>	
Institutional	
PostCom/USPS-9	PostCom
PostCom/USPS-10	PostCom
RIAA/USPS-1	PostCom
Notice of Filing of Replacement Disk for USPS-LR-I-486	PRC
Notice of Filing USPS-LR-I-478, I-480 and I-482	PRC
Notice of Filing USPS-LR-I-490	PRC
Notice of Filing USPS-LR-I-491	PRC
Notice of Filing USPS-LR-I-492	PRC
Notice of Filing USPS-LR-I-493	PRC
Response of USPS to Request of the Presiding Officer (Tr. 45/20062)	PRC
Chris F. Campbell (USPS-RT-23)	
Statement by Chris F. Campbell on behalf of the United States Postal Service	USPS
Michael W. Miller (USPS-RT-15)	
Response of Witness Miller to Question Posed by OCA During Hearings (Tr. 45/19815) Revised 9/5/2000	OCA
Bradley V. Pafford (USPS-T-4)	
UPS/USPS-44 redirected to T4	PRC
UPS/USPS-47 redirected to T4	PRC

<u>Designated Items</u>	<u>Designating Parties</u>
Richard L. Patelunas (USPS-ST-44)	
PostCom/USPS-ST44-2	PostCom
Richard J. Strasser (USPS-RT-1)	
Letter from Richard Strasser, Jr. to Chairman Gleiman dated September 1, 2000	OCA
Thomas E. Thress (USPS-ST-46)	
RIAA/USPS-ST46-1	PostCom
RIAA/USPS-ST46-2	PostCom
RIAA/USPS-ST46-3	PostCom
RIAA/USPS-ST46-4	PostCom
RIAA/USPS-ST46-5	PostCom

United Parcel Service
Institutional

BEFORE THE
POSTAL RATE COMMISSION

RECEIVED

SEP 6 11 00 AM '00

POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1


RESPONSE OF UNITED PARCEL SERVICE TO REQUEST
OF PRESIDING OFFICER DURING HEARINGS
(September 6, 2000)

Pursuant to the request of the Presiding Officer during the cross-examination of APMU witness John Haldi on August 30, 2000, United Parcel Service ("UPS") hereby provides the attached Statement of Work concerning the Report of The Colography Group, Inc. ("Colography") on Priority Mail's market share, provided pursuant to a request made to Colography by UPS.

The Statement of Work indicates that the "deliverable" was to be a table of data for calendar years 1990 to 1999. However, Colography subsequently indicated that only data for the years 1994 to 1999 were readily available from its already-existing

reports ("U.S. Expedited Traffic And Yield Analysis By Competitor And Market Segment Reports"). As a result, the deliverable was changed to data for 1994 to 1999.

Respectfully submitted,


John E. McKeever
William J. Pinamont
Phillip E. Wilson, Jr.
Attorneys for United Parcel Service

Piper Marbury Rudnick & Wolfe LLP
3400 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103-2762
(215) 656-3310
(215) 656-3301 (FAX)
and
1200 Nineteenth Street, NW
Washington, DC 20036-2430
(202) 861-3900

Of Counsel.

The Colography Group, Inc.

COS • LOGISTICS • GEOGRAPHY

1800 The Exchange, S.E.
Suite 450
Atlanta, GA USA 30339
Phone: (678) 385-2500
Fax: (678) 385-2501
www.colography.com

July 6, 2000

TRANSMITTED VIA FAX

Mr. Ron Swistock
Market Assessment Manager
United Parcel Service
55 Glenlake Parkway
Building 1, Floor 7
Atlanta, GA 30328

Subject: Statement Of Work For The UPS Priority Mail Market Share Analysis

Mr. Swistock,

Pursuant to our recent telephone conversations, following please find The Colography Group's *Statement Of Work* covering the UPS Priority Mail Market Share Analysis.

The UPS Priority Mail Market Share Analysis simply includes annual shipments, weight and revenue for the U.S. Postal Service's Priority Mail product and the percent market share that Priority Mail is of all deferred air shipments for the years 1990 through 1999.

For the purposes of this analysis, deferred air is defined as all point-of-sale shipments that are tendered on an air bill of lading and are delivered in 2 or more business days.

The source for the UPS Priority Mail Market Share Analysis is The Colography Group's U.S. Expedited Traffic And Yield Analysis By Competitor And Market Segment Reports. These analyses provide quarterly and annual Colography Group estimates of shipments, weight, revenue, per-pound yield, average weight per shipment and percent carrier share results for each of the leading U.S. carriers.

The deliverable for the UPS Priority Mail Market Share Analysis will be a datatable containing annual Priority Mail shipments, weight and revenue and the Priority Mail percent of total deferred air for calendar years 1990 to 1999.

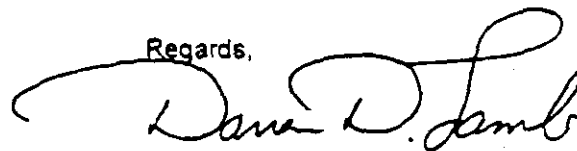
Given our understanding of your stated needs, the not-to-exceed budget for the UPS Priority Mail Market Share Analysis will be \$1,000.00. The project delivery will occur no later than 5 business days from formal project approval.

July 6, 2000

2

Ron, I trust we have addressed all the issues you had. If you need further assistance, please do not hesitate to call. If you would like for us to proceed with the project, please sign in the space below and return to us via facsimile.

Regards,



Darren D. Lamb
Consultant

Accepted By: Ron Smith

Date: 7-25-00

United States Postal Service
Institutional

**Response of United States Postal Service to Interrogatories of
Association for Postal Commerce**

PostCom/USPS-9. Please provide a listing (in electronic spreadsheet form if available) of all real estate that the Postal Service has sold in FY 2000 by location and (1) Postal Service operational designation, (2) the book value of the real estate, and (3) the sales price.

Response:

The total gains from real estate sales has been relatively minor thus far in FY 00.

Through accounting period 11 a total of \$6.175 million has been booked.

**Response of United States Postal Service to Interrogatories of
Association for Postal Commerce**

PostCom/USPS-10. Please provide a listing (in electronic spreadsheet form if available) of all contracts the Postal Service has entered into in FY 2000 to sell real estate but for which the closing date has not yet occurred. For each contract, please provide the location of the property the Postal Service operational designation of it, the closing date, the book value of the real estate, and the sales price.

Response:

The LA Annex Terminal has been sold and the gain on this sale is estimated to be approximately \$31 million. The gain from this sale will be booked before the end of FY 00.

The Postal Service is not aware of any significant additional contracted real estate sales.

Response of United States Postal Service
to
Interrogatories of RIAA

RIAA/USPS-1. The costs of mail processing associated with Special Standard (B) mail appear to have changed as follows:

	1998	1999	Percent Change
Mail Processing Cost PRC Method [1]	\$83,646,000	\$122,431,000	46.4%
Mail Processing Cost USPS Method [2]	\$61,440,000	\$116,164,000	89.1%
Pieces [3]	191,093,000	200,404,000	4.9%
Weight in pounds [3]	308,191,000	309,918,000	0.6%
Cubic Feet	28,342,000	28,763,000	1.5%

(1) 3.1 from Cost Segments and Components – PRC Version, 1998 and 1999.

(2) 3.1 from Cost Segments and Components – 1998 and 1999.

(3) Cost and Revenue Analysis – PRC version, 1998 and 1999.

Please explain your understanding of the causes in the differences between these costs.

Response:

The cause for the differences between these costs is that the table compares FY98 to FY99 instead of BY98 to FY99, which is the appropriate apples-to-apples comparison to make. Making an appropriate comparison, the results of the USPS method are more similar to those of the PRC method. The appropriate numbers are provided in the following table:

Response of United States Postal Service
to
Interrogatories of RIAA

	BY1998	1999	Percent Change
Mail Processing Cost PRC Method [1]	\$83,658,000	\$122,431,000	46.3%
Mail Processing Cost USPS Method [2]	\$80,866,000	\$116,164,000	43.6%

(1) 3.1 from Cost Segments and Components – PRC Version, BY98 and FY99.

(2) 3.1 from Cost Segments and Components – USPS Version BY98 and FY99.

The costs for Special Standard increased between base year 1998 and fiscal year 1999 primarily due to an increase in Special Standard direct tallies. A change in the endorsement requirements for Special Standard in FY 1999 may have resulted in improved identification.

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
SEP 8 3 52 PM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF FILING OF REPLACEMENT DISKETTE
FOR LIBRARY REFERENCE USPS-LR-I-486 (ERRATA)

It is recently come to the attention of the Postal Service that the diskettes included in USPS-LR-I-486, FY99 Cost Segment 6, 7, and 10 Spreadsheets Produced Pursuant to Request of Presiding Officer on 8/24/00 (Kay), omitted a portion of the spreadsheet which allowed for the distribution of elemental load time costs to small parcels and rolls (SPRs). For this reason, the Postal Service hereby gives notice that it is filing today replacement diskettes for this library reference which include the omitted cost distributions.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Richard T. Cooper

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2993 Fax -5402
September 8, 2000

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCES USPS-LR-I-478, I-480 AND I-482

The United States Postal Service hereby gives notice that it is filing with the Commission today the following Category 5 library references:

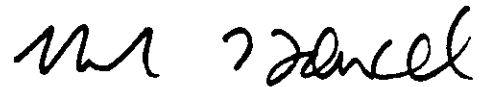
- | | |
|---------------|--|
| USPS-LR-I-478 | PRC Version/TY Letter, Card and Nonstandard Surcharge Mail Processing Cost Models (Update to USPS-LR-I-147 & 468 Provided in Response to POR No. 116) Using FY 99 Base Year and Alternative IOCS Methodology; |
| USPS-LR-I-480 | PRC Version/TY QBRM Mail Processing and Accounting Cost Models (Update to Sections B and L of USPS-LR-I-146 & 472 Provided in Response to POR No. 116) Using FY 99 Base Year and Alternative IOCS Methodology; and |
| USPS-LR-I-482 | PRC Version/FY 1999 and TY Mail Processing Unit Costs by Shape with Piggyback Factors (Update to LR-I-137 & 466 Provided in Response to POR No. 116) Using FY 99 Base Year and Alternative IOCS Methodology. |

Copies are also on file with the Postal Service library.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
August 28, 2000

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
SEP 8 3 51 PM '00

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCE USPS-LR-I-490

The United States Postal Service hereby gives notice that it is filing today the following Category 4 library reference in response to a question raised at the August 3, 2000 hearings, as clarified by Presiding Officer's Ruling No. R2000-1/118, issued August 15, 2000:

USPS-LR-I-490 FY 1999 Rural Carrier Cost System Statistical and Computer Documentation

Copies are also on file with the Postal Service library. This consists of electronic production programs for the FY 1999 rural carrier distribution keys and "Z" file, as well as hard copy descriptions of the sample design and computer systems processing procedures for the last two postal quarters of FY 1999 that differed from the procedures for FY 1998 and the first two quarters of FY 1999. The sample design and computer systems processing for the first two quarters of FY 1999 are the same as they were in FY 1998, and are documented in USPS-LR-I-17.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
SEP 8 3 50 PM '00

DATE
OFFICE FILE NO.

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCE USPS-LR-I-491

The United States Postal Service hereby gives notice that it is filing today the following Category 4 library reference in response to a question raised at the August 3, 2000 hearings, as clarified by Presiding Officer's Ruling No. R2000-1/118, issued on August 15, 2000:

USPS-LR-I-491 Handbook F-65, Chapter 4, Data Collection User's Guide for Rural Carrier Cost Tests, Revised March 1999

Copies are also on file with the Postal Service library. This describes the data collection procedures for the last two quarters of FY 1999. The data collection procedures for the first two quarters of FY 1999 are the same as they were in FY 1998, and are documented in USPS-LR-I-18.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Rate-making



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
September 8, 2000

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
SEP 3 4 31 PM '00
STL

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCES USPS-LR-I-492
(September 6, 2000)

The United States Postal Service hereby gives notice that it is filing with the Commission today the following Category 3 library reference:

USPS-LR-I-492 Association for Postal Commerce (PostCom) Interview of
Deputy Postmaster General Nolan (September 1, 2000) –
(<http://www.amma.org/public/2000/nolaninterview.htm>)

Copies are also on file with the Postal Service library.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:


Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
September 6, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Michael T. Tidwell

September 6, 2000

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

FILED
SEP 8 4 31 PM '00

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCE USPS-LR-I-493

The United States Postal Service hereby gives notice that it is filing today the following Category 1 and Category 4 library reference:

USPS-LR-I-493 Alternative FY 1999 IOCS Tally Tape Reflecting
Adjustments to Auto/Nonauto Split and Special Standard,
Requested by the Chairman at Tr. 45/20062 (Corresponds
to LR-I-439)

LR-I-493 consists of a CD-ROM containing IOCS data files for FY 1999 in two forms -- as a PC SAS data file and as a flat file. It responds to an oral request for an alternative version of the FY 1999 IOCS tally tape, as described in the Postal Service's written response, filed today. Copies are also on file with the Postal Service library.

Respectfully submitted,


UNITED STATES POSTAL SERVICE

By its attorney:


Eric P. Koetting

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
September 6, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO REQUEST OF THE PRESIDING OFFICER (Tr. 45/20062)**

Q. [C]ould we be provided with a version of the USPS Library Reference 439, the IOCS data for FY 1999 that reflects, one, the revisions to the Standard B Special rate and Standard A that you identify in your response to Order 1300 filed today, and the revisions to First Class and Standard A automation and non-automation costs provided on August 25 in response to Presiding Officer's Ruling 116?

RESPONSE:

The requested alternative version of the FY 1999 IOCS data files is provided in USPS-LR-I-493. It corresponds to the material previously provided as USPS-LR-I-439, with the exception of the two requested adjustments. First, as described in witness Degen's August 30 response to Order No. 1300, 119 direct tallies have been reassigned from Special Standard to Standard A Regular. Second, the procedure to split tallies between automation and non-automation categories in First-Class and Standard A reflected in the original FY 1999 data in LRI-I-439 has been replaced with the procedure used to split those tallies in FY 1998. Those respective procedures were discussed in the Postal Service's August 14th response to Commissioner LeBlanc's oral request during hearings on August 3 (Tr. 35/16801-10).

United States Postal Service

**Chris F. Campbell
(USPS-RT-23)**

**STATEMENT BY CHRIS F. CAMPBELL
ON BEHALF OF UNITED STATES POSTAL SERVICE**

On August 24, 2000, Michael Hall, representing KeySpan Energy, cross-examined me before the Postal Rate Commission concerning my rebuttal testimony (USPS-RT-23). During cross-examination, Mr. Hall asked me whether or not I recalled a discussion at a July 12, 2000 MTAC meeting concerning Business Reply Mail (Tr. 39/17606). Specifically, Mr. Hall inquired if I recalled one or more Postal Service operations personnel at the meeting providing "a break-point number above which hand-counting [QBRM pieces] was no longer efficient." I stated that I did not recall such a statement (Tr. 39/17606). Mr. Hall proceeded to ask me whether or not I would accept "subject to check with...[my] own people that that number was approximately 200 to 300 [QBRM] pieces per day." I accepted the statement subject to check (Tr. 39/17607).

Since my August 24, 2000 cross-examination by Mr. Hall, I have spoken with the three Postal Service operations personnel who attended the July 12, 2000 meeting (Kerry Troxel, Operations Support, Barbara McGinnis, P&DC Operations, and Patrick Killeen, P&DC Operations). All three deny making the statement regarding "a break-point number above which hand-counting was no longer efficient." Furthermore, all three deny making any statement to the effect that any such break-point "number was approximately 200 to 300 pieces per day."

Ms. Troxel indicated that she might have stated that sites having 200 to 300 accounts that manually count QBRM pieces may find it more efficient to count QBRM pieces for one large account using an automated method.

United States Postal Service

**Michael W. Miller
(USPS-RT-15)**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
QUESTION POSED BY THE OCA DURING HEARINGS
REVISED 9/5/2000**

Tr. 45/19815 Provide the short paid percentage for all First-Class single-piece letters for FY 1998. In addition, provide the short paid percentage for First-Class single-piece letters that weigh less than one ounce for FY 1998 and FY 1999.

RESPONSE:

In my testimony (USPS-RT-15), I relied on the FY 1999 short paid percentage for all First-Class single-piece letters in developing Attachment USPS-RT-15B. That percentage was 1.13% and was calculated using data in USPS LR-I-312. The corresponding FY 1998 short paid percentage for First-Class single-piece letters was 0.65%.

When the data were limited to mail pieces weighing less than one ounce, the FY 1999 and FY 1998 short paid percentages for First-Class single-piece letters were 0.74% and 0.20%, respectively.

United States Postal Service

**Bradley V. Pafford
(USPS-T-4)**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-44. Confirm that in FY1998, Postal Service Handbook F-75, entitled "Data Collection Users Guide for Revenue, Volume, and Performance Measurement Systems" and filed as Library Reference USPS-LR-I-37, instructed data collectors as follows: "If you find a Standard Mail (A) mailpiece that has been paid at the Standard Mail (B) rate, record this mailpiece as Standard Mail (A) Single Piece." See USPS-LR-I-37, pages 3-83, 3-95, 3-149, and 3-156, attached hereto.

RESPONSE. Confirmed for all four pages, subject to the understanding that these references imply the mailpieces are endorsed Standard Mail (A) as described in the response to UPS/USPS-47(a).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-47.

(a) In FY1999, did DRPW data collectors record Standard Mail (A) mailpieces that paid Standard Mail (B) rates as Standard Mail (A) pieces or as Standard Mail (B) pieces?

(b) Provide copies of any directives, training materials, instructions, manuals, handbooks, or other type of documents indicating how DRPW data collectors were instructed to record in FY 1999 (or in any part thereof) Standard Mail (A) mailpieces that paid Standard (B) rates.

RESPONSE.

(a) Up until the Docket No. R97-1 implementation (January 10, 1999), DRPW data collectors recorded Standard Mail (A) mailpieces paid at Standard Mail (B) rates as Standard Mail (A), *assuming that such pieces were endorsed as Standard Mail (A)*. Section 3.15, Part 11 of USPS-LR-I-37 explains this emphasis on endorsements. Starting with that implementation, Standard Mail (A) mailpieces paid at Standard Mail (B) rates were recorded as Standard Mail (B).

(b) USPS-LR-I-37 contains the DRPW data collector instructions applicable until the January 10, 1999 implementation date. Concurrent with the rate implementation, instructions were developed that revised procedures for recording Standard Mail (A) paid at Standard Mail (B) rates. The relevant information is attached.

RPW 8.0: Rate Change Update

4.0 Standard Mail (B)

Standard Mail (B): This mailpiece is not marked First-Class, Priority, or Periodicals. With the exception of Library Mail and Special Standard Mail, Standard Mail (B) weighs 16 ounces or more. It has the following dimensions and weight limitations: each piece may not exceed 70 Lbs., except matter at bound printed matter (BPM) rates (which may not exceed 15 pounds). The combined length and girth of a piece may not exceed 108 inches.

Note the following exceptions:

- **Bound Printed Matter (BPM) Permit Imprint:** BPM Permit Imprint mailpieces are not countable in the RPW test.
- **Unendorsed mail over 16 ounces:** With one exception, always record unendorsed mail weighing 16 ounces or greater as Standard Mail (B) zone rated parcel post mail. The only exception to this rule is when the mailpiece bears metered or stamped postage greater than or equal to what the mailpiece's Priority rate *would be* based upon the mailpiece's zone and weight. If the unendorsed mailpiece weighs more than 16 ounces and the metered or stamped postage is greater than or equal to the Priority rate consistent with the mailpiece's zone and weight, record the mailpiece as Priority Mail.
- **Standard Mail (A) paid at Standard Mail (B) rates:** When the postage computed at the bulk (presort) Standard Mail (A) rate is higher than a Standard Mail (B) rate for which the matter and mailing could qualify except for its weight, the Standard Mail (B) rate can be paid without adding needless weight. When the Standard Mail (B) rate is paid, the pieces must bear the rate marking appropriate for the Standard Mail (B) rate at which postage is paid. Standard Mail (A) pieces that are endorsed Standard Mail (B) must be recorded as Standard Mail (B).

As you enter data into the CODES software, a record of your entries for your current mailpiece displays in the upper left field of the CODES Laptop screen.

- 1 From your *Main Options Menu*, select option <5> *Standard Mail (B)*.
- 2 Select one of the options given in the *Standard Mail (B) Main Options Menu*.

CODES displays the *Standard Mail (B) Main Options Menu* (Figure 32). Type the number of the appropriate option and press <Enter>: Parcel Post Zone-Rated; Special Standard (B): Single Piece and Presorted, PRSRT; Bound Printed Matter: Single Piece, Bulk Rate, Bk. Rt., Presorted, PRSRT, and CAR-RT Presort, CAR-RT Sort; and Library Mail: Single Piece and Presorted.

*Attachment to Response to
UP5/USPS-47, page 1 of 2.*

RPW 8.0: Rate Change Update**Example 2:**

#BZ\$EBBZ
 #125L449DS14929#
 JOHN L SMITH
 123 S MAIN ST
 MEMPHIS TN 38103-3600

Optional Endorsement Line
 Keyline (12.5 pounds, rate code "L")

Rate Codes:

- P = Single Piece Bound Printed Matter
- B = Basic Presorted Bound Printed Matter
- R = CR Presorted Bound Printed Matter
- A = Intra-BMC Parcel Post
- D = Destinating BMC Parcel Post
- M = Inter-BMC Machinable Parcel Post
- S = Special Standard Mail
- L = Library Mail

D Recording Forwarded or Returned SPF Mailpieces

Forwarded or returned SPF mailpieces are currently countable in RPW. Record these mailpieces on their forwarded (or returned) leg as being fully paid at their applicable single-piece First-Class or Priority Mail rate (Standard Mail [A]), or at their appropriate single-piece Standard Mail (B) rate. Do not include the electronic ACS change notification fee of 20 cents in your recording.

12 Standard Mail (A) Paid for at Standard Mail (B) Rates

When the postage computed at the bulk (presort) Standard Mail (A) rate is higher than a Standard Mail (B) rate for which the matter and mailing could qualify except for its weight, the Standard Mail (B) rate can be paid without adding needless weight. When the Standard Mail (B) rate is paid, the pieces must bear the rate marking appropriate for the Standard Mail (B) rate at which postage is paid. Standard Mail (A) pieces that are endorsed Standard Mail (B) must be recorded as Standard Mail (B).

For example, a mailer has flat-size printed matter pieces that meet the qualifications for BPM, except that the pieces each weigh less than one pound and the applicable BPM rates are less than the applicable Standard Mail (A) rates. Then, the mailer can presort the pieces as Standard Mail (A) flats and claim basic presorted BPM rates. These pieces are presorted according to the Presorted Standard Mail (A) requirements, and must also be marked "Presorted," or "Presorted Standard," and "Bound Printed Matter."

13 Returned Standard Mail (A) Requiring a Weighted Fee

Standard Mail (A) showing the endorsements, "Address Service Requested" or "Forwarding Service Requested," regardless of any other endorsements, requires a weighted fee upon being returned. Record this mail as single-piece First-Class or

United States Postal Service

**Richard L. Patelunas
(USPS-ST-44)**

**Response of United States Postal Service witness Patelunas
to Interrogatories of
the Association for Postal Commerce**

PostCom/USPS-ST44-2. Please refer to Exhibit USPS-44Z and witness O'Tormey's response to MPA/USPS-ST42-10 where he estimated that reducing bundle breakage could reduce Standard A costs by \$14 million. Please confirm that the Postal Service's revised roll forward includes a \$14 million reduction in Standard A costs to reflect reduced bundle breakage in the Test Year.

(a) If confirmed, where in the Exhibit is this amount reflected?

(b) If not confirmed, how much cost savings from reduced bundle breakage does the roll forward include for Standard A?

Response:

a) Not confirmed.

b) Please see USPS-LR-I-408, page 8, the column showing a distribution key of "1457." That column shows \$9.634 million savings for Standard A resulting from bundle breakage. This figure differs from the cited \$14 million because it does not include piggybacks. The difference between the \$9.634 million and \$14 million would be included in other cost reductions and in the PESSA redistribution in the rollforward.

United States Postal Service

**Richard J. Strasser
(USPS-RT-1)**

FINANCE



RECEIVED

SEP 5 4 02 PM '00

POSTAL SERVICE
OFFICE OF THE POSTMASTER GENERAL

September 1, 2000

Mr. Edward J. Gleiman
Chairman
Postal Rate Commission
1333 H Street, N.W., Suite 3000
Washington, DC 20268-0001

Dear Chairman Gleiman:

The Postmaster General asked me to respond to your letter of August 9 concerning the Postal Service's response to Commission Order No. 1294 in Docket No. R2000-1. As you are no doubt aware, my recent rebuttal testimony at the Commission related to the matters raised in your letter.

In my written rebuttal testimony and my statements made at the hearing on August 31, I confirmed that the Postal Service has not changed its labor negotiating policy. The Postal Service continues to seek wage changes at least one percent below the Employment Cost Index (ECI).

My rebuttal testimony noted that the Postal Service's request reflected wage increase estimates for the new contracts amounting to ECI minus 2.1. Because of the effect of incorporating more recent inflation information, had we not changed the basis for our labor cost estimates, the Order No. 1294 update would have reflected an unrealistic assumption that the funding for new contracts would be greater than three percentage points below ECI. Our response to Order No. 1294 followed the Commission's directive that the Postal Service could incorporate "such other updates as it believes will more accurately reflect test year results."

I appreciated the opportunity to appear before the Commission and address these matters.

Sincerely,

Richard J. Strasser, Jr.
Acting Chief Financial Officer
Executive Vice President

cc: Mr. Henderson

United States Postal Service

**Thomas E. Thress
(USPS-ST-46)**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO
INTERROGATORIES OF RECORDING INDUSTRY ASSOCIATION OF
AMERICA REDIRECTED FROM WITNESS THRESS**

RIAA/USPS-ST46-1. Please refer to the billing determinants shown in Library Reference I-435 for Standard (A), hybrid PFY3 (FY1999)-Q2FY (2000) (Standard (A)-HYB.xls):

- a. Please confirm that the revenues shown in the cited spreadsheet of Library Reference I-435 include revenues derived from the Standard (A) residual shaped surcharge implemented on January 10, 1999.
- b. If your answer to subpart (a) is other than an unqualified confirmation, please explain how revenues derived from the residual shaped surcharge have been accounted for by the Postal Service in the presentation of the hybrid year shown in such Library Reference and provide all documents, workpapers or studies supporting or explaining your answer.

RESPONSE:

- a. Confirmed
 - b. Not applicable.
-

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO
INTERROGATORIES OF RECORDING INDUSTRY ASSOCIATION OF
AMERICA REDIRECTED FROM WITNESS THRESS**

RIAA/USPS-ST46-2. Please refer to page 1 of the attachment to witness Moeller's response to RIAA/USPS-T35-4.

- a. Please provide the information set forth in such attachment in the format set forth therein for the hybrid year specified in Library Reference I-435.
- b. Please describe how the disaggregation responsive to subpart (a) of this interrogatory was performed, identify all sources used to perform such calculations and provide copies of all workpapers, studies or other documents upon which you relied in performing such calculations.
- c. If you are unable to provide the information requested in subpart (a) of this interrogatory please explain why and provide any workpapers, studies or other document supporting your response.

RESPONSE:

- a. See page 1 of attachment to this response.
 - b. The source data used to derive the response to subpart a. are provided on page 2 of the attachment to this response. The source of these data is the disaggregated RPW subclass estimates for the hybrid period.
 - c. Not applicable.
-

Standard Mail (A) - Pieces Subject to the Residual Shape Surcharge (RSS)
Hybrid PQ 3&4 1999 + PQ 1&2 2000

	Revenue	Rev/pc	Pieces	lbs/pc	Weight	oz/pc
Regular Subclass Total RSS	447,179,829	0.6029	741,723,804	0.5854	434,195,675	9.3662
"Minimum per piece" pieces	20,145,171	0.3652	55,160,209	0.2005	11,057,778	3.2075
Basic Presort	10,769,882	0.4015	26,822,125	0.1899	5,094,196	3.0388
No Destination Entry	9,322,418	0.4040	23,077,257	0.1762	4,065,700	2.8188
DBMC	1,022,209	0.3880	2,634,559	0.2638	695,124	4.2216
DSCF	425,255	0.3830	1,110,309	0.3003	333,372	4.8040
3/5-digit Presort	9,375,289	0.3308	28,338,084	0.2104	5,963,582	3.3671
No Destination Entry	5,133,958	0.3400	15,101,226	0.1665	2,514,377	2.6640
DBMC	1,212,219	0.3240	3,741,416	0.2534	948,171	4.0548
DSCF	3,029,112	0.3190	9,495,442	0.2634	2,501,034	4.2143
Pound-rated Pieces	427,034,658	0.6220	686,563,595	0.6163	423,137,897	9.8610
Basic Presort	132,317,231	0.6466	204,625,933	0.5687	116,375,018	9.0995
No Destination Entry	115,970,373	0.6482	178,910,727	0.5608	100,330,202	8.9725
DBMC	13,979,858	0.6503	21,498,416	0.6458	13,884,383	10.3333
DSCF	2,367,000	0.5613	4,216,790	0.5123	2,160,433	8.1975
3/5-digit Presort	294,717,427	0.6115	481,937,662	0.6365	306,762,879	10.1843
No Destination Entry	192,745,665	0.6219	309,908,667	0.6218	192,709,819	9.9492
DBMC	73,787,143	0.6116	120,643,992	0.6884	83,046,023	11.0137
DSCF	28,184,619	0.5485	51,385,003	0.6034	31,007,037	9.6548

Attachment to RIAA/USPS-ST46-2
Page 2 of 2

L#	RPW#	VIP#	VIPNAME	REV	PIECES	WEIGHT
100	3240	X3584	STDA-REG-NONE-NAUTO-BAS-NLETR-PARC-PCRT	49470445	177390177	2694449
100	3240	X3589	STDA-REG-NONE-NAUTO-BAS-NLETR-PARC-LBRT	66499928	1520550	97635753
100	3241	X3684	STDA-REG-DBMC-NAUTO-BAS-NLETR-PARC-PCRT	5680460	21496464	6652
100	3241	X3689	STDA-REG-DBMC-NAUTO-BAS-NLETR-PARC-LBRT	8299398	1952	13877731
100	3242	X3784	STDA-REG-DSCF-NAUTO-BAS-NLETR-PARC-PCRT	1133544	4215071	23518
100	3242	X3789	STDA-REG-DSCF-NAUTO-BAS-NLETR-PARC-LBRT	1233456	1719	2136915
100	3290	X3564	STDA-REG-NONE-NAUTO-3/5-NLETR-PARC-PCRT	62545324	307888889	958742
100	3290	X3569	STDA-REG-NONE-NAUTO-3/5-NLETR-PARC-LBRT	130200341	2019778	191751077
100	3291	X3664	STDA-REG-DBMC-NAUTO-3/5-NLETR-PARC-PCRT	24127397	120643152	3246
100	3291	X3669	STDA-REG-DBMC-NAUTO-3/5-NLETR-PARC-LBRT	49659746	840	83042777
100	3292	X3764	STDA-REG-DSCF-NAUTO-3/5-NLETR-PARC-PCRT	10334834	51338641	87621
100	3292	X3769	STDA-REG-DSCF-NAUTO-3/5-NLETR-PARC-LBRT	17849785	46362	30919416
100	3630	X3064	STDA-REG-NONE-NAUTO-3/5-NLETR-PARC	5133958	15101226	2514377
100	3631	X3164	STDA-REG-DBMC-NAUTO-3/5-NLETR-PARC	1212219	3741416	948171
100	3632	X3264	STDA-REG-DSCF-NAUTO-3/5-NLETR-PARC	3029112	9495442	2501034
100	3640	X3084	STDA-REG-NONE-NAUTO-BAS-NLETR-PARC	9322418	23077257	4065700
100	3641	X3184	STDA-REG-DBMC-NAUTO-BAS-NLETR-PARC	1022209	2634559	695124
100	3642	X3284	STDA-REG-DSCF-NAUTO-BAS-NLETR-PARC	425255	1110309	333372
				447179829	741723804	434195675

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO
INTERROGATORIES OF RECORDING INDUSTRY ASSOCIATION OF
AMERICA REDIRECTED FROM WITNESS THRESS**

RIAA/USPS-ST46-3. Please refer to USPS-LR-I-436 at WP1, page 14 and USPS-LR-I-166 at WP1, p. 14:

- a. Please confirm that the entry "TYAR Volume Non-Letters" is exactly the same on both versions of this workpaper.**
- b. Please confirm that WP1, p. 14 in LR-I-166 does not reflect any changes in Non-Letter volume and mix that may have resulted from the introduction of the rates that took effect on January 10, 1999.**
- c. Please confirm that WP1, p. 14 in LR-I-436 purports to reflect results in the hybrid year FY1999 Quarter 3 to FY2000 Quarter 2.**
- d. Please explain why the volume of TYAR Non-Letters has not changed in the two versions of WP1, p. 14 referenced in this interrogatory.**

RESPONSE:

- a. Confirmed.**
 - b. Not confirmed. WP1, page 14 attempts to project how many nonletters in the Test Year will pay the Residual Shape Surcharge that was introduced on January 10, 1999. Rather than assume that the amount will equal the percentage of nonletters that were parcel-shaped in the base year (prior to the implementation of the surcharge), the workpaper includes an adjustment that attempts to anticipate mailer reaction to the implementation of the surcharge.**
 - c. Confirmed that this workpaper was developed in order to project revenues for the Test Year that reflect updated billing determinants. In some instances, those billing determinants are from the hybrid year.**
-

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO
INTERROGATORIES OF RECORDING INDUSTRY ASSOCIATION OF
AMERICA REDIRECTED FROM WITNESS THRESS**

- d. The Test Year volume forecast is not changed, so the volume of TYAR nonletters, which is a line item in that forecast, does not change, nor do any other of the line items in the Test Year volume forecast. The application of updated billing determinant information is to disaggregate the line items from the Test Year volume forecast, but the line items themselves are not changed.
-

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO
INTERROGATORIES OF RECORDING INDUSTRY ASSOCIATION OF
AMERICA REDIRECTED FROM WITNESS THRESS**

RIAA/USPS-ST46-4. Please refer to footnote 2 of WP 1, p. 14 in LR-I-436 which states that the source for the 5.5% factor used to derive the (revised) "expected residual volume" is witness Moeller's response to RIAA/USPS-T35-5(b).

- a. Please confirm that the 5.5% factor is based upon the mix for a partial fiscal year and is applied to the TYAR volume Non-Letters for a full fiscal year to derive "expected residual volume." If you do not confirm, please explain your answer in detail and provide any supporting workpapers, studies or calculations upon which it is based.
- b. Please confirm that, according to RIAA/USPS-T35-4, the source of the data upon which the 5.5% factor reflected on WP1, p. 14 in LR-I-436 is "the disaggregated RPW subclass estimates for the GFY 1999 period." Please provide all source documents (including, as applicable, the disaggregated RPW subclass estimates for the GFY 1999 period) upon which the 5.5% factor reflected in footnote 2 of WP1, p. 14 in LR-I-436 is based.
- c. Is actual or estimated disaggregated subclass data comparable to that used to derive the response to RIAA/USPS-T35-5(b) available for any portions or all of the hybrid year FY1999 Quarter 3 to FY2000 Quarter 2? If so, please provide such data.

RESPONSE:

- a. Confirmed.
- b. Please see page 2 of the attachment to RIAA/USPS-T35-4 for the source data. The 5.5 percent figure is derived by dividing the total volume from that page (550,026,918) by the total volume of nonletters (10,038,906,097) for the comparable period (the post-January 10, 1999 implementation period) from USPS-LR-I-259, Schedule G-6, page 1 of 5.
- c. Please see response to interrogatory RIAA/USPS-ST46-2, page 1 of the attachment. The RSS volume for the subclass is 741,723,804. For the

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO
INTERROGATORIES OF RECORDING INDUSTRY ASSOCIATION OF
AMERICA REDIRECTED FROM WITNESS THRESS

same hybrid year period, the total volume of nonletters for the subclass was 14,234,288,246 (from the Billing Determinants for the hybrid year, USPS-LR-I-435, Schedule G-5, page 1 of 5.) The percentage of nonletters paying the surcharge for the hybrid year, therefore, was 5.2 percent, based on the calculation: $(741,723,804 / 14,234,288,246)$.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO
INTERROGATORIES OF RECORDING INDUSTRY ASSOCIATION OF
AMERICA REDIRECTED FROM WITNESS THRESS

RIAA/USPS-ST46-5. Please confirm that after deduction of "leakage" resulting from the proposed barcode discount, the expected revenue to be derived from the proposed 18 cent surcharge reflected in WP1, p. 14 in LR-I-436 is \$24.6 million greater than the expected revenue (after deduction of "revenue leakage") reflected in the version of such workpaper in LR-I-166. If you do not confirm, please explain your answer in detail and provide all supporting workpapers, studies or other documents upon which the answer is based.

RESPONSE:

Confirmed. The original projection necessitated an estimate of the reduction in surchargeable pieces due to implementation of the surcharge and mailers' attempts to avoid it by reconfiguring parcels as automated flats. The increase in the projected revenue may reflect the inability of mailers to reconfigure their parcels, or a general increase in the number of parcels within Standard Mail (A), or a combination of these factors. If the hybrid year percentage of nonletters paying the surcharge (5.2 percent) calculated in the response to RIAA/USPS-ST46-4(c) were used instead of the 5.5 percent figure described in the response to subparts a and b of that interrogatory, the \$24.6 million figure described in this interrogatory would instead be \$17.8 million.
